

Message Text

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PAGE 01 GENEVA 05778 01 OF 03 171907Z
ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 DOEE-00 SSO-00 NRC-05 MCE-00 ACDA-12 PM-05
OES-07 FAA-00 DOTE-00 JUSE-00 /153 W
-----048482 171950Z /42

P 171835Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8494
INFO AMEMBASSY TOKYO
USDOC WASHDC

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 05778

USMTN

ACTION STR

PASS STR ELECTRONICALLY FOR BARREDA; STR PASS CODEL

COMMERCE FOR MONTGOMERY

EO 11652: N/A
TAGS: ETRD, GATT, MTN
SUBJECT: MTN: APRIL 12 BILATERAL WITH JAPANESE ON US
SUPPLEMENTAL REQUESTS

REF: (A) GENEVA 5426, (B) GENEVA 3808

1. US DEL (MCNAMARA, MOORE, CASSIDY) CONTINUED EXPLANA-
TIONS OF US REQUEST LIST FOR IMPROVEMENT OF JAPANESE
TARIFF OFFER (SEE REFTTEL A) IN TEN-HOUR SESSION WITH
JAPANESE DEL (UDAGAWA, ENDO, NOZAKI, SATO). BEFORE
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PAGE 02 GENEVA 05778 01 OF 03 171907Z

DISCUSSION OF REQUESTS BEGAN, NOZAKI FROM FINANCE MINISTRY,
TOKYO, INDICATED THAT JAPAN HAS DIFFICULTIES WITH APRIL 10
STRAUSS/USHIBA AGREEMENT TO ACCELERATE MTN NEGOTIATIONS
BECAUSE OF UNCERTAINTIES REMAINING IN US OFFER REGARDING
ASP AND FINAL LIST VALUATION. HE SAID THAT JAPAN'S
INABILITY TO EVALUATE FULLY US OFFER UNTIL AFTER JUNE 1,
1978, COULD CREATE OBSTACLE TO MEETING TIMETABLE. HE

SUGGESTED THAT US WITHDRAW ITS RESERVATIONS AND MAKE OFFERS IMMEDIATELY, PARTICULARLY IF RATES ON FINAL LIST AND ASP ITEMS WILL NOT BE CHANGED SIGNIFICANTLY. US DEL SAID IT SURPRISED AT INCONSISTENCY IN JAPANESE POSITION. JAPAN AND OTHERS HAVE COMPLAINED ABOUT US VALUATION SYSTEM, AND US IS MAKING HONEST EFFORT TO DETERMINE WHETHER IT SHOULD CHANGE THAT SYSTEM. AN ITC STUDY IS NOW UNDER WAY ON BOTH ASP AND FINAL LIST VALUATION TO DETERMINE TARIFF LEVELS NECESSARY TO MAINTAIN EQUIVALENT LEVELS OF PROTECTION IF THOSE VALUATION SYSTEMS ARE ELIMINATED. JAPAN HAS RECEIVED A COPY OF TARIFF RATE CONVERSIONS PROPOSED BY THE ITC. WHILE THIS IS STILL INDICATIVE, US DEL BELIEVES THAT JAPAN CAN USE THESE ESTIMATES TO MAKE AN ASSESSMENT OF THE US OFFER. US DEL ALSO POINTED OUT THAT AMBASSADOR STRAUSS HAS INDICATED HE WILL TRY TO ACCELERATE THE ITC'S STUDY AND, IN ADDITION, THE TRADE POLICY STAFF COMMITTEE IN WASHINGTON IS PREPARED TO MOVE QUICKLY ONCE THE ITC'S ADVICE HAS BEEN RECEIVED IN ORDER TO COMPLETE THE US OFFER ASAP. US DEL INDICATED THAT JAPANESE VIEWS WOULD BE COMMUNICATED TO WASHINGTON.

2. PARTICIPANTS THEN TURNED TO A CONTINUATION OF EXPLANATIONS OF US SUPPLEMENTAL REQUEST LIST BY ISAC. JAPANESE COMMENTS GENERALLY WERE LESS ORIENTED TOWARD RATE MATCHING THAN IN PREVIOUS MEETING. WHILE UDAGAWA REFRAINED FROM GIVING ANY INDICATION OF JAPANESE POSITION ON US LIMITED OFFICIAL USE

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PAGE 03 GENEVA 05778 01 OF 03 171907Z

REQUESTS, HE MADE POINT ON MANY ITEMS THAT JAPAN HAD ALREADY OFFERED DEEPER-THAN-FORMULA CUT. US DEL FOLLOWED TALKING POINTS IN TPSC 78-20, SUPPLEMENTAL MATERIAL PROVIDED BY COMMERCE AND ITS OWN RESOURCES. DISCUSSIONS OF PARTICULAR INTEREST ARE REPORTED BELOW BY ISAC.

3. ISAC 16, COMPUTERS -- US DEL EXPLAINED THAT US REQUEST FOR RATE MATCHING IS BASED ON US POSITION THAT BOTH COUNTRIES ARE HIGHLY COMPETITIVE WITH LARGE EXPORT GROWTH POTENTIAL FOR JAPAN. DRAWING ON TALKING POINTS AND MATERIAL SUPPLIED BY AMEMBASSY TOKYO, US DEL CITED MITI STUDY INDICATING JAPANESE COMPUTER INDUSTRY WILL BE INCREASINGLY COMPETITIVE IN NEAR FUTURE AND PREDICTING EXPORT GROWTH OF 30 PERCENT PER YEAR THROUGH 1985. JAPANESE DEL RESPONSE INDICATED THAT THIS PRODUCT GROUP HAD BEEN DISCUSSED BY AMBASSADOR STRAUSS AND MINISTER USHIBA AND THAT MITI WAS SINCERELY STUDYING US REQUESTS. JAPANESE INDUSTRY IS UNCERTAIN WHETHER IT WILL, IN FACT, BE COMPETITIVE AS FOURTH GENERATION COMPUTERS ARE DEVELOPED.

4. ISAC 18, ELECTRICAL MACHINERY, NUCLEAR REACTORS,

ENGINES AND TURBINES -- DISCUSSION FOCUSED ON JAPANESE
EXCLUSION OF AIRCRAFT ENGINES AND NUCLEAR REACTORS FROM
TARIFF REDUCTIONS. US DEL POINTED OUT THAT JAPANESE
TECHNOLOGY IN NUCLEAR REACTORS HAS ADVANCED TO STAGE
WHERE JAPAN HAS CAPABILITY TO EXPORT REACTOR EQUIPMENT;
AND BY 1980'S, ACCORDING TO MITI'S OWN ESTIMATES, JAPANESE
INDUSTRY WILL BE ABLE TO SELL TURN-KEY REACTOR PLANTS
OUTSIDE OF JAPAN. JAPAN DEL GAVE LAME RESPONSE THAT THEY
ARE UNCERTAIN NUCLEAR REACTOR INDUSTRY WILL BE SO COMPETI-
TIVE, CITED A NUCLEAR-POWERED SHIP ACCIDENT, AND REQUESTED
THAT DISCUSSION OF JAPANESE EXCLUSIONS BE DEFERRED UNTIL
LATER IN MEETING.

5. ISAC 21, PHOTOGRAPHIC EQUIPMENT AND SUPPLIES -- US DEL
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PAGE 04 GENEVA 05778 01 OF 03 171907Z

STRESSED THAT US REQUEST FOCUSES ONLY ON PHOTOGRAPHIC

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PAGE 01 GENEVA 05778 02 OF 03 171918Z
ACTION STR-07

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DOE-15 DOEE-00 SSO-00 NRC-05 MCE-00 ACDA-12 OES-07
PM-05 FAA-00 DOTE-00 JUSE-00 /153 W
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LIMITED OFFICIAL USE SECTION 02 OF 03 GENEVA 05778

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SUPPLIES SINCE JAPANESE HAVE CAPTURED MOST OF US MARKET OF HIGH QUALITY PHOTOGRAPHIC EQUIPMENT. US OFFER TO ELIMINATE MOST DUTIES ON PHOTOGRAPHIC FILM AND SENSITIZED PAPER IS NOT MATCHED BY JAPANESE OFFER, WHICH WOULD RESULT IN JAPANESE AVERAGE OF ABOUT TEN PERCENT. US DEL STRESSED THAT ELIMINATING THIS DISPARITY IS VERY IMPORTANT TO US BECAUSE INDUSTRIES IN BOTH COUNTRIES ARE HIGHLY COMPETITIVE, AND US OFFER TO ELIMINATE DUTIES OPENS A HUGE MARKET TO JAPANESE FILM MANUFACTURERS. US IS UNLIKELY TO MAINTAIN ITS OFFER IF JAPAN DOES NOT ALSO ELIMINATE DUTIES ON FILM. THIS ISSUE IS IN US OPINION A KEY ELEMENT IN JAPAN'S WILLINGNESS TO ESTABLISH BASIC EQUITY IN US/JAPANESE TRADING RELATIONSHIP. UDAGAWA REPLIED THAT JAPANESE PROTECTIVE LEVELS REFLECT FEAR OF KODAK'S LIMITED OFFICIAL USE

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PAGE 02 GENEVA 05778 02 OF 03 171918Z

MARKETING, RESEARCH AND DEVELOPMENT, AND POSSIBLE PREDATORY PRICING. HE CITED DISCUSSIONS BY AMBASSADOR WOLFF AND MITI DIRECTOR/GEN YANO ON THIS SUBJECT DEALING WITH UPLIFT PROBLEMS IN BOTH COUNTRIES, HIGH THIRD COUNTRY TARIFFS WHICH PROTECT KODAK PRODUCTION IN THOSE COUNTRIES, AND PREDATORY DUMPING BY KODAK TO ELIMINATE COMPETITION. HE, OFF THE RECORD, EXPRESSED REGRET THAT THESE DISCUSSIONS DID NOT REACH ANY FRUITFUL CONCLUSION. US DEL RESPONDED THAT WHILE IT WOULD BE UNLIKELY THAT KODAK WOULD ENGAGE IN PREDATORY PRICING SHOULD THE JAPANESE MARKET BECOME MORE OPEN, ANTI-DUMPING PROCEDURES EXIST TO COMBAT THIS. ALSO, DUTY ELIMINATION WOULD ELIMINATE UPLIFT PROBLEMS IN BOTH COUNTRIES.

6.

ISAC 24, AEROSPACE EQUIPMENT -- UDAGAWA INDICATED THAT, IN DISCUSSING THIS PRODUCT GROUP, HE WOULD ALSO LIKE TO DISCUSS JAPANESE EXCLUSIONS. HE CITED JAPANESE EFFORTS TO MINIMIZE EXCLUSIONS AS INDICATED BY REDUCTION FROM 49 TARIFF LINES EXCLUDED IN KENNEDY ROUND TO 24 LINES IN CURRENT NEGOTIATIONS. HE RESPONDED TO US QUESTIONS RAISED AT EARLIER MEETING ON JAPANESE EXCLUSIONS (REFTEL B) AND PROVIDED JAPANESE IMPORT DATA FOR AIRCRAFT AND AIRCRAFT ENGINES. THIS DATA IS BEING HAND CARRIED TO STR BY NEXT AVAILABLE TRAVELER. HE ATTEMPTED NO OTHER DEFENSE OF JAPANESE EXCLUSIONS EXCEPT TO SAY THAT THEY ARE CONSISTENT WITH GATT ARTICLES XX AND XXI. US DEL RESPONDED THAT US DOES NOT ACCEPT JAPANESE EXCLUSIONS WHICH WE DEFINED AS BEING IN CATEGORY 3; THAT IS, NEITHER PETROLEUM NOR ARMAMENTS. WE SEE NO LOGIC TO THE NATIONAL SECURITY ARGUMENT FOR SUCH CATEGORY 3 ITEMS, AND THEY WILL BE CONSIDERED AS EXCEPTIONS FROM THE US POINT OF VIEW. US DOES NOT UNDERSTAND HOW A TEN PERCENT TARIFF ON AIRCRAFT

WILL PROTECT JAPANESE CITIZENS BETTER THAN A ZERO TARIFF.
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PAGE 03 GENEVA 05778 02 OF 03 171918Z

US DEL STRESSED PARTICULAR PROBLEM IN AIRCRAFT SECTOR BECAUSE JAPANESE EXCLUSIONS COULD PREVENT OTHER MTN PARTICIPANTS FROM OFFERING DUTY ELIMINATION ON AIRCRAFT. SHOULD JAPAN PERSIST IN MAKING NO TARIFF OFFER ON AIRCRAFT, US WILL PROBABLY NOT ONLY COUNT THESE EXCLUSIONS AS EXCEPTIONS, BUT WOULD TAKE INTO ACCOUNT THE WIDER IMPACT OF THE EXCLUSIONS BY JAPAN WHICH PREVENT OTHER PARTICIPANTS FROM ELIMINATING AIRCRAFT DUTIES IN MARKETS OF INTEREST TO THE US. US DEL INDICATED THAT US HAS RECEIVED NO ASSURANCES OR INDICATION OF MOVEMENT ON THESE ITEMS FROM JAPAN AND WONDERS WHETHER IT IS USEFUL TO CONTINUE DISCUSSIONS. PROVIDING TRADE DATA ALONE WILL NOT SATISFY US AND, IN FACT, SUCH DATA MERELY CONFIRMS THAT EXCLUDED AIRCRAFT ITEMS CONTAIN BULK OF US EXPORTS OF AIRCRAFT. UDAGAWA REPLIED THAT JAPAN CONTINUES TO BELIEVE THAT ALL ITS EXCLUSIONS ARE CONSISTENT WITH GATT ARTICLES, BUT WILL CONVEY US POSITION TO TOKYO. HE STATED THAT US MUST REALIZE THAT A QUICK ANSWER IS LIKELY TO IMPLY NO CHANGE IN JAPANESE POSITION. THEREFORE, AS JAPAN WILL SERIOUSLY CONSIDER US POSITION, NO ANSWER IS LIKELY FOR SOME TIME.

7. ISAC 26, MISCELLANEOUS MANUFACTURES -- US DEL MADE SIMILAR ARGUMENT REGARDING JAPANESE EXCLUSIONS IN THIS ISAC WITH SAME RESPONSE. UDAGAWA CITED US LESS-THAN-FORMULA OFFER AND GSP TREATMENT ON GUITARS AS PARTICULARLY BOTHERSOME TO JAPANESE INDUSTRY AND LIKELY TO AFFECT ADVERSELY JAPANESE RESPONSE ON US REQUESTS ON MUSICAL INSTRUMENTS. HE MADE OFF-THE-RECORD OBSERVATION THAT JAPANESE DIET MEMBER KASAGA (PHONETIC) OF KASAGA MUSIC COMPANY, A MAJOR MANUFACTURER OF GUITARS, HAD MADE A SPECIAL TRIP TO WASHINGTON TO EXPRESS INTEREST IN DUTY ELIMINATION ON THIS ITEM TO MATCH GSP TREATMENT.

8. DISCUSSION OF US REQUEST LIST CONCLUDED WITH JAPANESE EMPHASIZING THAT THEIR REMARKS MUST NOT BE TAKEN AS AN INDICATION OF JAPANESE POSITION ON US REQUESTS. UDAGAWA
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PAGE 04 GENEVA 05778 02 OF 03 171918Z

INDICATED THAT HE WOULD PERSONALLY CONVEY US EXPLANATION TO APPROPRIATE JAPANESE GOVERNMENT OFFICIALS AND THAT FURTHER ANALYSES WOULD BE DONE ASAP. HE COULD GIVE NO INDICATION AT THIS TIME WHEN JAPANESE RESPONSE MIGHT BE FORTHCOMING.

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PAGE 01 GENEVA 05778 03 OF 03 171916Z
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PM-05 FAA-00 DOTE-00 JUSE-00 /153 W
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LIMITED OFFICIAL USE SECTION 03 OF 03 GENEVA 05778

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, NEGOTIATIONS, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780450/aaaabqlm.tel
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Original Classification: LIMITED OFFICIAL USE
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TAGS: ETRD, JA, US, GATT, MTN
To: STATE
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